GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1385
ANSWERED ON:16.07.2004
VIOLATION OF GOVERNMENT DIRECTIVES FOR BACKWARD TRIBAL AREAS
Delkar Shri Mohanbhai

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has extended various facilities and tax exemptions to the Industries coming up in the backward/tribal areas with an aim for the development of the area and to provide employment to the local poor;

(b) if so, the details thereof;

(c) action taken against the companies who had set up their units in such areas for a particular period to get the benefits and thereafter shifted their units from there depriving of the legitimate rights of the local poor;

(d) is the Government of India aware about such illegal activities of the companies; and

(e) if so, what action has been taken against such companies?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN)

(a) : Yes, Sir.

(b) : There are various facilities/tax benefits available to the industries in backward/tribal area such as :-

I) INCOME TAX CONCESSION /EXCISE DUTY EXEMPTIONS :- 1) Section 80-IC of the Income-Tax Act provides fiscal incentives to certain special category states including the North-Eastern States. As per this provision a new industrial undertaking set up on or after the 24th of December 1997 but before 1.4.2007 or an existing undertaking which undertakes substantial expansion during this period and which is located in certain notified areas is eligible for 100% income-tax exemption for a period of 10 assessment years. A similar deduction is available for all new undertakings or existing undertakings which undertake substantial expansion and which are engaged in specified thrust sector activities. 2) Tax incentives are also available to industries set up on or before 31.3.2004 in the backward districts of the country. While industries in Category A backward districts are eligible for 100% deduction for 5 years followed by 25% (30% in the case of companies) for the next 5 years, industries in Category B backward districts are eligible for 100% deduction for 3 years followed by 25% (30% in the case of companies) for the next 5 years. 3) Excise duty exemption is available for new units /existing units undertaking substantial expansion in the States of North East, Sikkim, Jammu and Kashmir, Uttranchal and Himachal Pradesh.

(II) TRANSPORT SUBSIDY SCHEME: This Scheme was introduced in July, 1971 to promote industries in hilly, remote and inaccessible areas. The scheme is applicable to the States of Himachal Pradesh, Jammu & Kashmir, the North Eastern States, Sikkim, Union Territories of Andaman & Nicobar Islands and Lakshadweep,Darjeeling district of West Bengal and in specified districts of Uttaranchal. Under the Scheme, subsidy ranging from 50% - 90% is admissible on transport costs incurred on movement of raw materials and finished goods from designated rail heads/ ports up to the location of the industrial units and vice-versa for a period of five years from the date of commencement of commercial production. The scheme has been extended up to 31.3.2007.

III) The following three schemes have also been introduced for accelerating industrialization in the North-Eastern region.

1)Capital Investment Subsidy Scheme: Under this scheme, a subsidy @ 15% of the investment in plant and machinery subject to maximum of Rs. 30 lakh would be admissible to industries located in the growth centres and to new industrial units and/or their substantial expansion in other identified areas in the North East region.

(2) Central Interest Subsidy Scheme: The Scheme provides Interest subsidy @ 3% on the working capital loan to eligible industrial units in the North Eastern region for a period of ten years after the unit goes into production

(3) Comprehensive Insurance Scheme: This Scheme envisages insurance benefits of 100% premium to all eligible industrial units set up in the North Eastern regions after 24th December, 1997. The insured party shall pay initial premium which shall be reimbursed by the nodal insurance company out of a revolving fund maintained by the company. Funds for this revolving fund shall be contributed by the Department of Industrial Policy & Promotion. The Scheme will remain effective for a period of 10 years i.e. up to 13.7.2009. The benefits under the aforesaid Schemes are available to the States of Jammu & Kashmir also. In Uttaranchal and Himachal Pradesh, the subsidy benefit is available only under Transport Subsidy Scheme and Comprehensive Insurance Scheme.

(c) to (e): A rule has been made in the Schemes that if the Central Government/State Government/Financial Institutions concerned is satisfied that the subsidy or grant to an industrial unit has been obtained by misrepresentation as to an essential fact, furnishing of false information or if the unit goes out of production within 5 years after commencement or if the unit after receiving a part or the whole of the grant or subsidy have shifted out, the Central Government/State Government/Financial Institution concerned may ask the unit to refund the grant or subsidy. If any unit which is availing excise duty exemption shifts from the exempted area to non exempted area it automatically gets excluded from the purview of the excise duty exemptions. The tax benefits under the Income Tax Act are available for a stipulated period subject to the fulfillment of conditions specified therein. There is no provision in the Income Tax Act to prevent shifting of units from the specified areas.